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M E M O R A N D U M

TO: Governor Janet T. Mills
Members, Legislative Council
Members, Joint Standing Committee on Appropriations and Financial Affairs
Members, Joint Standing Committee on Taxation

FROM: Commissioner Kirsten LC Figueroa
Department of Administrative and Financial Services

DATE: January 30, 2020

SUBJECT: Revenues – December 2019

December General Fund revenues were over budget by \$4.9 million or 1.7 percent. For the first half of the fiscal year General Fund revenues are over budget by \$5.8 million or 0.3 percent. Compared to the first six months of last fiscal year, fiscal year 2020 General Fund revenues are up by 3.9 percent (\$74.9 million). Adjusted for the increase in revenue sharing, fiscal year 2020 General Fund revenues have increased by 5.2 percent compared to the same period last fiscal year. Please note, the December Controller's Report reflects the new revenue forecast released by the Revenue Forecasting Committee on December 1, 2019.

November taxable sales (December revenue) increased 9.0 percent over last year. For the month, sales and use and service provider taxes, combined, were \$5.5 million over budget. Consumer sales increased by 11.2 percent over a year ago, with all business categories except General Merchandise (+1.2 percent) exhibiting very strong year-over-year growth. Other retail grew by 29.2 percent buoyed by the marketplace facilitators bill that became effective October 1, 2019. Auto/transportation posted year-over-year growth of 10.5 percent, much higher than the 7.4 percent growth recorded over the last twelve months. Lodging sales increased by 14.6 percent in November, and 14.2 percent for the first eleven months of calendar year 2019. Restaurant sales had a good month in November, increasing 11.0 percent over a year ago. Business operating sales growth continued to be solid in November increasing by 5.2 percent over last November.

Individual income tax receipts were under budget in December by \$4.9 million (3.2 percent). Withholding was under budget for the month by \$10.4 million and is up 5.4 percent fiscal year-to-date. Fiduciary payments (\$1.1 million) and refunds (\$4.4 million) were the primary offsets to the negative variance from withholding. At this time the weak showing for withholding in December is thought to be a timing issue, but that won't be confirmed until all January receipts are counted.

Corporate income tax receipts were over budget in December by \$0.3 million. Total corporate income tax revenue is 19.3 percent (\$24.2 million) below fiscal year 2019 receipts through the first six months of the fiscal year. The final estimated payment for calendar year filers due in December was \$1.1 million under budget and down 16.5 percent from last December.

Sales and Use Taxes

Revenue was \$5.5 million over budget for the month (4.7 percent) and is now \$1.2 million over budget year-to-date. Fiscal year 2020 revenue is \$57.2 million or 7.0 percent over fiscal year 2019 collections.

Taxable Sales

Total taxable sales for the month of November (December revenue) were 9.0 percent over November 2018. The annual rate of change, excluding utilities, was 7.1 percent. Building supply sales increased 6.7 percent for the month and are up 2.2 percent for the last 12 months. Sales of taxable items in food stores were up 11.0 percent for the month and up 2.5 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 1.2 percent for the month and up 4.6 percent for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 29.2 percent for the month and up 17.2 percent for the year. Auto/transportation sector sales were up 10.5 percent for the month and 7.4 percent for the year. Sales of meals and other prepared foods were up 11.0 percent for the month and up 5.1 percent for the year. Lodging sales were up 14.6 percent for the month and up 13.8 percent for the year. Business operating sales (primarily use tax paid by businesses) increased 5.2 percent for the month and up 7.5 percent for the year.

Service Provider Tax

Revenue was on budget for the month and is on budget for the fiscal year. Revenue is \$1.8 million or 5.8 percent under prior fiscal year collections.

Individual Income Tax

Revenue was \$4.9 million or 3.2 percent under budget for the month. For the fiscal year, individual income tax receipts are \$4.9 million under budget (-0.6 percent). Compared to the first six months of fiscal year 2019 withholding payments are up 5.4 percent, estimated payments are up 10.0 percent, and final payments are up 5.7 percent.

Corporate Income Tax

Revenue was over budget for the month by \$0.3 million, bringing the year-to-date positive variance to \$0.3 million or 0.3 percent. Compared to last fiscal year corporate income tax revenue is \$24.2 million lower or -19.3 percent. Year-to-date, final payments are down 33.0 percent and estimated payments are down 13.1 percent.

Cigarette and Tobacco Taxes

Cigarette and tobacco products tax revenue was \$1.7 million over budget for the month, bringing the year-to-date variance to \$3.1 million. Compared to the same six-month period last year, cigarette and tobacco tax revenue is up 7.9 percent.

Insurance Companies Taxes

The Insurance Companies Tax was under budget for the month by \$0.2 million and \$0.3 million over budget for the fiscal year.

Estate Tax

The estate tax was \$0.09 million over budget for the month and is now \$0.09 million over budget year-to-date. Estate tax receipts are \$11.0 million higher than last fiscal year.

Property Tax Relief Programs

Refunds for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were under budget in December by \$1.7 million. For the fiscal year, property tax relief payments are under budget by \$1.7 million.

Municipal Revenue Sharing

Revenue sharing was under budget in December by \$0.6 million. For the first six months of the fiscal year revenue sharing is \$0.6 million under budget.

Lottery

Lottery revenues were under budget for the month by \$0.5 million or 8.5 percent. For the first half of the fiscal year lottery revenues are \$2.8 million over budget (9.4 percent).

Other Revenues

Other Revenues were on budget for the month of December and are now under budget for the fiscal year by \$0.9 million.

Highway Fund

Motor fuel excise tax receipts were under budget in December by \$0.3 million. The Highway Fund, in total, was over budget for the month by \$1.1 million. For the fiscal year, motor fuel excise tax revenues are under budget by \$0.9 million (0.7 percent) and total Highway Fund receipts are over budget by \$0.9 million (0.5 percent). For the first six months of the fiscal year motor fuel excise tax receipts are up 1.1 percent.

National Economy

Retail sales for the November/December holiday shopping season increased a healthy 4.1 percent compared to the same period a year ago according to the National Retail Federation. The only areas of weakness in December were automobile and department store sales. Consumer spending is expected to moderate during 2020 as continuing trade policy discussions and U.S. elections later in the calendar year raise uncertainty about direction of future economic policy.

Maine Economy

The Federal Reserve System issued their latest Beige Book report on January 15, 2020 providing a summary of their contacts views of the economy during the final six weeks of 2019. The Boston Federal Reserve Bank noted that the region's economy at the end of 2019 was growing at a modest to moderate rate for retailers and manufacturers, but stronger for software and information technology services. Labor markets remain tight, but wage growth outside of increases in State minimum wage laws continue to be modest. Contacts noted that "benefits, incentives, training programs, and automation" are being used to fill vacancies. In general businesses were "cautiously optimistic" that recent trends will continue.

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Attachments

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